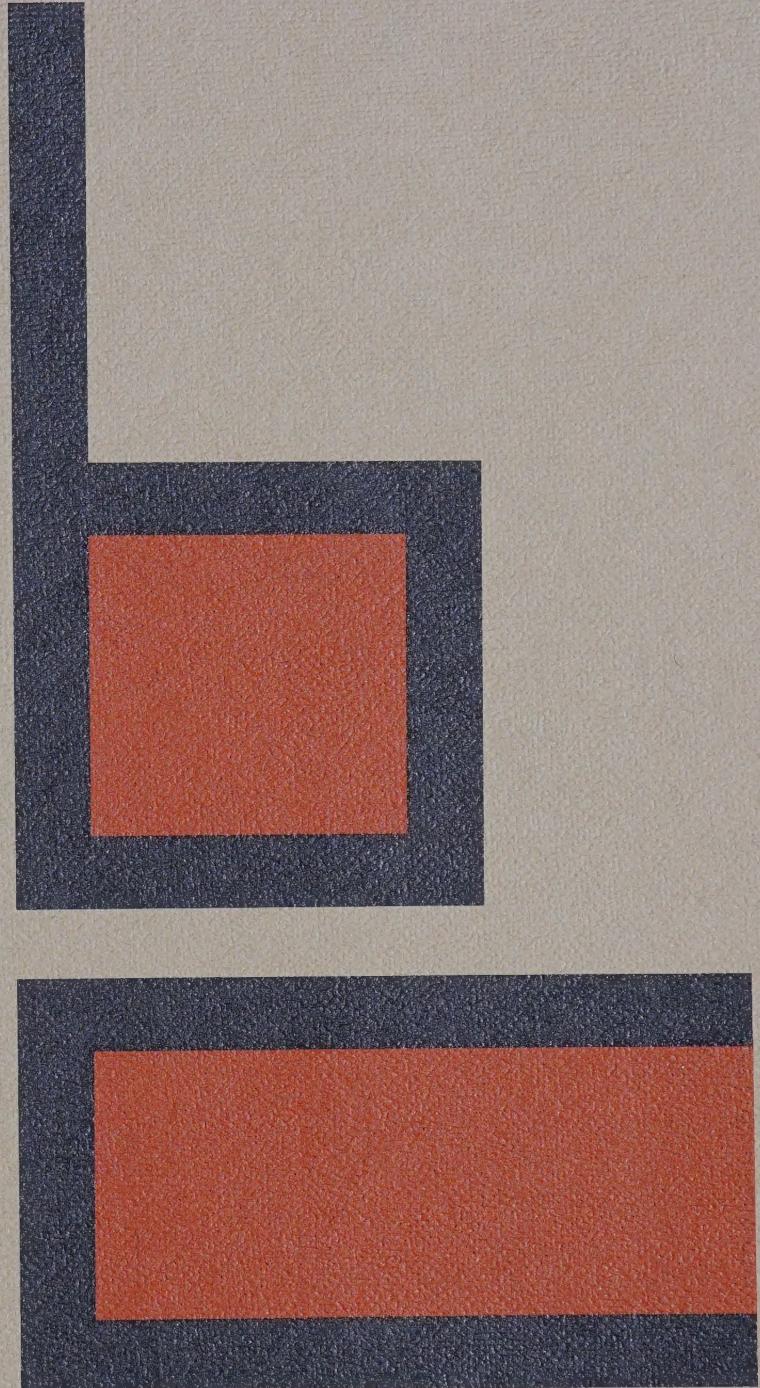


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**MILTON
BRICK
CO. LIMITED**



**31st. ANNUAL
REPORT 1968**

**DIRECTORS**

J. N. Berman
J. T. Blume
L. J. McGowan
P. K. McWilliams, Q.C.
J. T. Norris
J. Pope
A. Serota

OFFICERS

J. T. Blume, President
A. Serota, Treasurer
B. Scher, Secretary

AUDITORS

Messrs. McDonald, Currie & Co.

BANKERS

Canadian Imperial Bank of Commerce
The Toronto-Dominion Bank

LISTING

The Toronto Stock Exchange

**TRANSFER AGENT
AND REGISTRAR**

Canada Permanent Trust Co.

SUBSIDIARIES

Regal Transport Limited
Global Marble of Canada Ltd.
Transmil Properties Corp., Ltd.



TO OUR SHAREHOLDERS:

The year 1968 was one of solid achievement for your company and its subsidiaries. Demand for your companies' products was strong and the profitable sale of securities enabled the Milton Group to attain the highest annual earnings in its history: after depreciation and provision for current and deferred income taxes, the net earnings for 1968 are \$398,360 or 69.6¢ per share on the currently outstanding stock against \$343,351 or 60¢ per share in 1967.

This increase is especially significant in view of the fact that the earnings for 1967 included a profit of \$92,400 or 16¢ per share on the sale of some of your companies' real estate holdings, coupled with the fact that provision for deferred income taxes in the amount of \$12,950 was made in 1968 in line with the present requirements of the Canadian Institute of Chartered Accountants.

In the ceramics industry, we are observing a marked trend towards more selective grades of high quality brick and we procured, during the year, a gratifying portion of this business. Indicative sales during the year were to the University of Waterloo Single Students' Residences for the Ontario Student Housing Corporation; the York Regional School of Nursing; and the D'Arcy McGee Separate School in Metropolitan Toronto. The latter two buildings are being considered by their architects for entry in architectural competitions, and we are proud of our contribution to them. These are outstanding brick structures which exemplify the trend to interior brick treatment by the architectural profession of today.

In the forthcoming year, from all indications to date, demand for high quality fired clay brick is excellent. The Company maintains a research laboratory to develop new brick colours and textures, so that in servicing this market, we have been able to merchandise some unusual brick colouring effects. Brick demand in 1969 depends to some extent on the duration of the current commercial and industrial building strike in parts of Ontario. Nevertheless, we have been delivering to residential sites and our inventory buildup, while marked, is not in excess of what is contained in our current order book.

The Regal Trucking Division, acquired in 1947, continues to provide the Company with a competitive advantage in servicing its markets. Regal has shown profits consistently since 1963 and its ownership continues to be advantageous for the Company.

The Global Marble Division, set up in 1964, imports for resale high quality marbles used by architects and builders in a wide range of applications in all types of commercial buildings, particularly in apartment houses. We are able to carry on this business with a nominal overhead, and look forward to increasing profitability, as users appreciate the many low-cost and maintenance-free advantages of quality marble.

Our Consolidated Balance Sheet reflects the valuation of our investment through Transmil Properties Corp., Ltd. in the shares of Flemdon Limited, which in 1968 increased by approximately \$190,000 despite the profitable sale of some shares at a substantial profit. We currently hold 302,076 common shares of Flemdon Limited or approximately 30.2% of the total issued and outstanding stock.

As set forth in our 1967 report to shareholders, and after lengthy negotiations culminating after our 1968 year end, the Flemdon management successfully concluded the sale of that Company's principal asset (2,000 non-voting participating preference shares of Central Park Estates Ltd.) for \$2,300,000 plus interest at 8% from December 1st, 1968, to closing or \$2,368,558. We understand that it will be the policy of Flemdon Limited to invest these funds in operating businesses, and we believe that our shareholders will continue to profit with its success. Flemdon Limited declared its initial dividend of 10¢ per share to shareholders of record at the close of business on May 16th, 1969, payable on June 2nd, 1969. Transmil Properties' share of such dividend is \$30,207.

In our letter to the shareholders dated September 19th, 1968, we advised that the annual dividend rate was 26¢ (6½¢ quarterly) and that your Board of Directors was giving consideration to further increase in the dividend rate later in the year. It is indeed gratifying to report that the dividend for the last quarter of 1968 and the first quarter of 1969 was raised to 7½¢. In addition the dividend for the second quarter of 1969 has been declared at a further increase to 8¢ quarterly, so that the current annual dividend rate now stands at 32¢, commensurate with the Company's policy to pay dividends on a consistently and gradually increasing scale.

During the year, Milton made formal acquisition overtures to several Canadian companies, but negotiations were terminated in each instance, for reasons that we believe to be in the best interest of our shareholders. We shall actively continue to seek out operative opportunities for the investment of our funds, which acquisitions, we feel confident, will prove as successful as Regal and Flemdon.

The relevant facts and figures are detailed in the accompanying report, but we did wish to take this opportunity to highlight some of the year's accomplishments. Your company is an old established firm, dating back to 1878. Present management has been responsible for the last six years, during which time the record indicates the progress made. The Company's financial position is sound and liquid. At the year end, our working capital was in excess of \$1,300,000 as compared with \$996,000 at the close of 1967.

We are appreciative of the dedication, achievements, and hard work of all Milton employees during this year. With their continued support, and that of customers, suppliers and our shareholders, we have every confidence in the future of the Milton Group.

On behalf of the Board of Directors,

J. T. BLUME,

Chairman

June 1, 1969.

**MILTON BRICK
AND SUBSIDIARIES**

**CONSOLIDATED BALANCE SHEET
With Comparative Figures**

ASSETS

	1968	1967
Current assets:		
Cash and short term deposits	\$ 341,068	\$ 184,142
Marketable securities — at cost (quoted value 1968 — \$866,920; 1967 — \$503,888)	670,791	507,944
Accounts receivable	208,874	212,924
Inventories — at lower of cost or net realizable value	221,847	225,422
Prepaid expenses	1,326	13,434
	<u>1,443,906</u>	<u>1,143,866</u>
5% special refundable tax	<u>7,818</u>	<u>8,994</u>
Investment in subsidiary company not consolidated — at cost (Note 1)		
Shares	7,800	7,800
Advances	5,682	5,682
	<u>13,482</u>	<u>13,482</u>
7% mortgage receivable — Due September 30, 1972	<u>101,399</u>	<u>101,399</u>
Fixed assets — at cost less accumulated depreciation (Note 2)	<u>596,549</u>	<u>554,021</u>
Other assets		
PCV licences — at cost less amounts written off	30,212	30,212
	<u>\$2,193,366</u>	<u>\$1,851,974</u>

Signed on behalf of the Board:

J. T. BLUME, Director.

JOSEPH POPE, Director.

AUDITORS' REPORT

We have examined the consolidated balance sheet of Milton Brick Co. Limited and Subsidiaries as at December 31, 1968, and the consolidated statements of earnings, retained earnings and source and use of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

May 9, 1969.

**CO. LIMITED
IDIARIES**

AS AT DECEMBER 31, 1968

Figures for 1967

LIABILITIES

	1968	1967
Current liabilities		
Accounts payable and accruals	\$ 55,477	\$ 86,163
Income and other taxes payable	69,525	61,659
	<hr/> 125,002	<hr/> 147,822
Deferred income taxes (Note 3)	<hr/> 12,950	<hr/> —

SHAREHOLDERS' EQUITY

Capital stock

Authorized

1,000,000 Common shares of no par value

Issued and fully paid

572,200 Common shares

Retained earnings	775,121	672,621
	<hr/> 1,280,293	<hr/> 1,031,531
	<hr/> 2,055,414	<hr/> 1,704,152

\$2,193,366

\$1,851,974

THE SHAREHOLDERS

In our opinion, these consolidated financial statements present fairly the consolidated financial position of the companies as at December 31, 1968, and the consolidated results of their operations and the source and use of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year except as referred to in Note 3, with which we concur.

McDONALD, CURRIE & CO.,
Chartered Accountants.

**MILTON BRICK CO. LIMITED
AND SUBSIDIARIES**

CONSOLIDATED STATEMENT OF EARNINGS
For the year ended December 31, 1968
With Comparative Figures for 1967

	1968	1967
Operating profit before depreciation	\$ 363,400	356,697
Depreciation	24,299	25,043
Prior period adjustments	—	2,441
	24,299	27,484
Earnings from operations	339,101	329,213
Other income (expense)		
Interest and dividends	12,471	18,993
Royalties — Net	69,731	61,696
Gain on sale of land	—	92,400
Gain on sale of investments	184,654	5,670
Miscellaneous	2,875	1,344
Loss on disposal of assets	(181)	—
	269,550	180,103
	608,651	509,316
Provision for income taxes		
Current	197,341	165,965
Deferred (Note 3)	12,950	—
	210,291	165,965
Net earnings for the year (Note 4)	\$ 398,360	\$ 343,351

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

For the year ended December 31, 1968
With Comparative Figures for 1967

	1968	1967
Balance — beginning of year	\$ 1,031,531	\$ 826,320
Net earnings for the year	398,360	343,351
	1,429,891	1,169,671
Dividends — Common shares	149,598	138,140
Balance — end of year	\$ 1,280,293	\$ 1,031,531

**MILTON BRICK CO. LIMITED
AND SUBSIDIARIES**

CONSOLIDATED STATEMENT OF SOURCE AND USE OF FUNDS
For the year ended December 31, 1968
With Comparative Figures for 1967

	1968	1967
Source of funds		
Net earnings for the year	\$ 398,360	\$ 343,351
Charges not requiring cash outlay —		
Deferred income taxes	12,950	—
Depreciation	24,299	25,043
	<u>435,609</u>	<u>368,394</u>
(Loss) Gain on sale of assets	181	(145,231)
	<u>435,790</u>	<u>223,163</u>
Refund of 5% special refundable tax	1,176	—
Proceeds from sale of land	—	50,000
Proceeds from sale of equipment	600	4,083
Proceeds from sale of shares	102,500	—
	<u>540,066</u>	<u>277,246</u>
Use of funds		
Purchase of fixed assets	67,608	69,873
Payment of 5% refundable tax	—	2,739
Advances to subsidiary	—	532
Dividends paid	149,598	138,140
	<u>217,206</u>	<u>211,284</u>
Increase in working capital	<u>322,860</u>	<u>65,962</u>
Working capital — beginning of year	996,044	930,082
Increase in working capital	322,860	65,962
Working capital — end of year	<u>\$1,318,904</u>	<u>\$ 996,044</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 1968

1. Principles of consolidation

The consolidated financial statements include the accounts of all the subsidiary companies with the exception of one. This subsidiary has not commenced operations, and consequently its accounts have not been consolidated nor has any income been included, nor provision for losses made in the accounts of the parent company.

2. Fixed assets

Land, buildings, machinery and equipment and related accumulated depreciation and depletion are classified as follows:

	Cost	Accumulated Depreciation and Depletion	Net
Land	\$ 139,432	\$ 125,071	\$ 14,361
Buildings	1,041,309	775,945	265,364
Machinery and equipment	684,095	404,332	279,763
Trucks and tractors	133,651	96,590	37,061
	<u>\$1,998,487</u>	<u>\$1,401,938</u>	<u>\$596,549</u>

MILTON BRICK CO. LIMITED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — continued

For the year ended December 31, 1968

With Comparative Figures for 1967

3. Deferred income taxes

During the year the company adopted the tax allocation method of accounting for income taxes and accordingly the provision for income taxes in the current year is \$12,950 in excess of the amount that would have been provided had the basis used in prior years been followed. Income taxes deferred in prior years amount to \$124,600 and have not been recorded as such in the accounts.

4. Remuneration paid to directors

Directors' remuneration amounted to \$764 for 1968 and \$1,000 for 1967.

5. Sales

The Supreme Court of Ontario, on October 2nd, 1968, authorized the omission of sales and gross revenue derived from operations, from the financial statements of Milton Brick Co. Limited and subsidiary companies, to be laid before the annual meeting of shareholders. The gross sales increased by 3.3% over the previous year and by 20.6% over the average of the previous five years.

6. Capital stock

During the year 25,120 shares were issued for cash.

THE SIX-YEAR RECORD OF YOUR MANAGEMENT

	1968	1967	1966	1965	1964	1963
Total current assets	\$1,443,906	\$1,143,866	\$1,053,440	\$ 999,912	\$ 840,166	\$1,420,661
Total current liabilities	125,002	147,822	123,358	147,471	187,606	681,339
Net working capital	1,318,904	996,044	930,082	852,441	652,560	739,322
Ratio of current assets to current liabilities	11.5	7.74	8.54	6.78	4.48	2.09
Profit before income taxes	608,651	509,316	387,297	319,981	277,267	114,581
Income taxes — current	197,341	165,965	170,666	134,500	105,838	28,100
deferred	12,950	12,300	17,600	12,100	16,000	—
total	210,291	178,265	188,266	146,600	121,838	28,100
Net Profit	398,360	331,051	199,031	173,381	155,429	86,481
Earnings per share69.6	57.9	34.8	30.3	27.2	15.1
Dividends per share27	.25½	.24¼	.20	.20	.12½
Earnings transferred to retained earnings	248,762	205,211	83,964	130,773	62,013	(37,269)

NOTE: To provide for comparability with the tax allocation method of accounting adopted by the Company in 1968, income taxes and net profits have been adjusted to indicate both current and deferred income taxes in each of the years 1967, 1966, 1965, and 1964; earnings per share are calculated in all years on the basis of 572,200 common shares outstanding as at December 31, 1968.

MILTON BRICK CO. LIMITED

THIS PROXY IS SOLICITED ON BEHALF OF
THE MANAGEMENT OF

NOTICE OF ANNUAL AND GENERAL MEETING

TAKE NOTICE that the Annual and a General Meeting of Shareholders of MILTON BRICK CO. LIMITED will be held at the Hampton Court Room of the King Edward Sheraton Hotel, 37 King Street East, Toronto, Ontario, on FRIDAY, the 27th day of JUNE, 1969, at the hour of 11:30 o'clock in the forenoon, Toronto time, for the following purposes:

- (a) to receive the Consolidated Financial Statements of the Company and its subsidiaries for the year ended December 31, 1968, and the Auditors' report thereon;
- (b) to elect directors for the ensuing year;

- (c) to appoint auditors and authorize the directors to fix the auditors' remuneration;

- (d) to consider and if deemed advisable, pass the following resolution:

"RESOLVED that the option granted on February 12, 1968, to J. T. Blume, President of the Company, to purchase 25,000 unissued common shares of the Company at a price of \$4.10 per share, exercisable at any time over a period of five years commencing on February 12, 1968, be and the same is hereby ratified, approved and confirmed."

- (e) to transact such other business as may properly come before the meeting or any adjournment thereof.

DATED at Toronto, Ontario, this 6th day of June, 1969.

BY ORDER OF THE BOARD,

"JORDAN G. SULLIVAN"
Secretary.

Signature of Shareholder

CANCELLLED

We ask that you promptly sign, date and return the enclosed proxy in the enclosed return envelope if it is not your intention to be present at the Meeting. If you are personally present at the Meeting and desire to do so, you may withdraw your proxy and vote in person.

A copy of the Annual Report and an Information Circular accompany this notice.

A Buffet Luncheon will be served immediately following the conclusion of the Meeting.

The Globe & Mail,
King & York Sts.,
TORONTO, Ont.

NOTES:

1. THE SHARES REPRESENTED BY THIS PROXY WILL BE VOTED ON ITEM 1, IN ACCORDANCE WITH THE SHAREHOLDER'S CHOICE AS SPECIFIED BY AN "X" IN THE BOXES PROVIDED FOR THAT PURPOSE. IF NO CHOICE IS SPECIFIED THE SHARES WILL BE VOTED AS IF THE SHAREHOLDER HAD SPECIFIED AN AFFIRMATIVE VOTE.

2. EVERY SHAREHOLDER HAS THE RIGHT TO APPOINT A PERSON OF HIS CHOICE (WHO NEED NOT BE A SHAREHOLDER OF THE COMPANY) TO ATTEND AND ACT FOR HIM AND ON HIS BEHALF AT THE ANNUAL AND GENERAL MEETING INSTEAD OF THE TWO PERSONS DESIGNATED IN THE FORM OF PROXY. If any shareholder so chooses, the name of the person to be appointed should be inserted in the blank space preceding the words "J. T. BLUME, the President of the Company, whom failing L. J. McGOWAN, a Director of the Company", which words should be stricken and the change initialled by the shareholder.

3. The instrument of proxy will not be valid unless it is executed by the shareholder or his attorney authorized in writing, or if the shareholder is a corporation, under its corporate seal or by an officer or attorney thereof duly authorized. If the instrument of proxy is executed by an attorney of a shareholder or by an officer or attorney of a corporate shareholder not under its seal, the instrument so empowering the attorney or officer, as the case may be, or a notarial copy thereof should accompany the instrument of proxy.

4. Be sure to date your proxy.

MILTON BRICK CO. LIMITED

INFORMATION CIRCULAR

SOLICITATION OF PROXIES

This information circular is furnished in connection with solicitation by the Management of MILTON BRICK CO. LIMITED (the Company) of proxies to be used at the annual and a general meeting of shareholders of the Company to be held at the time and place and for the purposes set forth in the notice of meeting. It is expected that the solicitation will be primarily by mail. Proxies may also be solicited personally by regular employees of the Company at nominal cost. The cost of solicitation by Management will be borne by the Company.

APPOINTMENT AND REVOCATION OF PROXIES

The persons named in the enclosed form of proxy are directors of the Company. A shareholder desiring to appoint some other person to represent him at the meeting may do so by inserting in the blank space provided in the said form the name of the person whom he wishes to appoint or by completing another proper form of proxy and in either case, delivering the completed proxy to the Secretary of the Company. In the event of appointment of such person as proxy, the instrument of proxy will be voted in accordance with instructions given to such proxy by the shareholder.

A shareholder who has given a proxy may revoke it either (a) by signing a proxy bearing a later date and delivering same to the Secretary of the Company, or (b) as to any matter on which a vote shall not already have been cast pursuant to the authority conferred by such proxy, by signing written notice of revocation and delivering it to the Secretary of the Company or the Chairman of the meeting or (c) by attending and voting personally.

EXERCISE OF DISCRETION BY PROXIES

If given to Management and unless indicated otherwise, the shares represented by proxies will be voted for the election of directors, the appointment of auditors and in favour of the resolution set out in item (d) of the notice of calling the meeting as stated under those headings in this circular. The enclosed form of proxy confers discretionary authority upon the persons named therein with respect to amendments or variations to matters identified in the notice of meeting, and with respect to other matters which may properly come before the meeting.

At the time of printing this circular, the Management of the Company knows of no such amendments, variations or other matters to come before the meeting other than the matters referred to in the notice of meeting.

VOTING SHARES

The Company has outstanding 572,200 common shares without par value each carrying the right to one vote. All shareholders of record at the time of the meeting will be entitled to vote at the annual and general meeting of shareholders. To the knowledge of Management, the only person or company beneficially owning more than 10% of the issued and outstanding shares of the Company are the following:

Name	Number of shares beneficially owned directly or indirectly	Percentage of outstanding shares represented
Mr. J. T. Blume	165,986	29.0%
J. T. Blume, Inc.	76,820	13.4%
Interworld Development & Investment Corp. Ltd.	3,112	.5%

NOTE: Mr. J. T. Blume is the principal shareholder of J. T. Blume, Inc. and Interworld Development & Investment Corp. Ltd.

ELECTION OF DIRECTORS

The board consists of seven directors to be elected annually. The persons named in the enclosed form of proxy intend to vote for the election of the nominees whose names are set forth below, five of whom are now members of the board. The Management does not contemplate that any of the nominees will be unable to serve as a director but, if that should occur for any reason prior to the meeting, the persons named in the enclosed form of proxy reserve the right to vote for other nominees in their discretion. Each director elected will hold office until the next annual meeting and until his successor is duly elected, unless his office is earlier vacated in accordance with the by-laws of the Company.

The following table and notes thereto state the names of all the persons proposed to be nominated for election as Directors, all other positions and offices with the Company now held by them, their principal occupations or employments, the year in which each became a Director of the Company (where applicable) and the number of shares beneficially owned by each of them:

Name	Position with Company and Principal Occupation	Became Director	Common Shares Direct	Shares Indirect
J. T. Blume	President & Chairman	Oct. 30, 1962	165,986	79,932*
Lionel J. McGowan	Industrialist	Nov. 5, 1968	200	
A. Bram Appel	Chartered Accountant	May 20, 1969	100	
J. T. Norris	Industrialist	Nov. 21, 1968	2,000	
P. K. McWilliams, Q.C.	Barrister & Solicitor	Nov. 5, 1968	25	
A. J. B. Gray	Chief Assessment Commissioner of Municipality of Metropolitan Toronto until Aug. 31/67; thereafter Assessment Tax Consultant		6	
Samuel P. Smith	President, Smith Transport (U.S.) Limited, until October 31st, 1968; thereafter Industrialist		1,200	

* See the heading "Voting Shares" for the interest of J. T. Blume in the 79,932 shares.

Each of the above named persons has held the principal occupation or employment indicated for at least five years.

REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

(i) Aggregate direct remuneration paid or payable by the Company and its subsidiaries to the Directors and the Senior Officers of the Company during the Company's Fiscal Year ended December 31, 1968, was \$764.00.

(ii) On February 12, 1968, the Company granted to J. T. Blume, the President of the Company, an option to purchase 25,000 unissued common shares at a price of \$4.10 per share for active service rendered to the Company as its chief executive officer, having served at the time for five years. The period for exercising the option was five years commencing February 12, 1968. During the 30 day period prior to February 12, 1968, the shares of the Company traded at prices ranging from \$4.70 per share to \$5.25 per share.

The option to purchase the 25,000 shares referred to above was exercised on July 10, 1968. During the 30 day period prior to July 10, 1968, the shares of the Company traded at prices ranging from \$4.75 per share to \$5.25 per share.

The shareholders are being asked to ratify, approve and confirm the said option. This approval is being asked as a result of the ruling made by the Toronto Stock Exchange which provided that the Company request specific approval of the option by the shareholders at a meeting.

INTEREST OF MANAGEMENT IN MATERIAL TRANSACTIONS

There are no other material transactions with Management other than as set out above under (ii) of "Remuneration of Directors and Senior Officers".

APPOINTMENT OF AUDITORS

The persons named in the enclosed form of proxy intend to vote for the appointment of Messrs. McDonald, Currie & Co., Chartered Accountants, Hamilton, as auditors of the Company, to hold office until the next Annual Meeting of Shareholders. Messrs. McDonald, Currie & Co., Chartered Accountants, have been auditors of the Company since June 29, 1967.

MANNER OF VOTING PROXIES

The shares represented by proxies received by the Management will be voted in accordance with instructions given.

The instrument of proxy form affords shareholders receiving same, the opportunity to specify a choice with respect to the matter set out in item (d) in the notice of calling the meeting. Where the person or company whose proxy is solicited specifies a choice with respect to such matter, the shares represented by the proxy will be voted in accordance with the specifications so made. Where a choice is not so specified, it is the intention of Management to vote the shares represented by the proxy in favour of the matter set out in item (d) in the notice of calling the meeting. Discretionary authority for so doing is understood to have been conferred to Management by the person giving the proxy.

The Management knows of no matters to come before the meeting other than the matters referred to in the notice of meeting. If any matters which are not known should properly come before the meeting, the proxy will be voted on such matters in accordance with the best judgment of the person voting it.

The persons named in the accompanying instrument of proxy are directors of the Company. A shareholder has the right to appoint any other person who need not be a shareholder, to represent him at the meeting.

Dated the 6th day of June, 1969.